

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

APR 19 2010

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**COMMISSIONERS**

KRISTIN K. MAYES - Chairman

GARY PIERCE

PAUL NEWMAN

SANDRA D. KENNEDY

BOB STUMP

2010 APR 19 P 3:49

AZ CORP COMMISSION  
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR APPROVAL OF A RATE  
INCREASE.

DOCKET NO. W-02467A-09-0333

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR APPROVAL OF FINANCINGS.

DOCKET NO. W-02467A-09-0334

**STAFF'S RESPONSES TO PROCEDURAL  
ORDER – EXHIBIT B QUESTIONS**

On June 30, 2009, Granite Mountain Water Company, Inc ("Granite Mountain" or "the Company") filed with the Arizona Corporation Commission ("the Commission") a Rate Application and a Financing Application. On August 11, 2009, a Procedural Order was issued consolidating the Rate Application docket and the Financing Application docket. On January 4, 2010, Staff filed its Staff Report for the Rate Application and Financing Application, recommending that rates be increased but that the Financing Application be denied. The Company did not file a response to the Staff Report. A Procedural Order was issued on March 17, 2010, stating that the record was insufficient in this matter. A Procedural Conference was held on March 29, 2010, where the ALJ set forth questions for the parties in an effort to further develop the record.

The following is Staff's full and complete responses to the questions set forth in Exhibit B of the Procedural Order issued March 30, 2010.

**1. Why does Staff believe that it is appropriate to deny the line of credit?**

The line of credit should be denied for multiple reasons. First, Staff is considering this line of credit as a long-term loan under the current circumstances. Long-term loans are not to be used to fund operating expenses; they should only be used for capital expenditures. A line of credit can be drawn upon for *any reason*, including operating expenses; the Commission would have no knowledge or guarantee that the funds would only be used for capital expenditures. That is one reason Staff has concluded it is appropriate to deny the financing request.

1 Second, the line of credit appears to be secured by a personal deposit from the account of Paul  
2 Rae Levie, in the amount of \$125,000. The payments will be interest only during construction, and  
3 only after completion will the payments include principal and interest and only based on the  
4 availability of funds of the Company. These circumstances and characteristics suggest that it is a  
5 personal loan to the Levies, and not a loan to the Company.

6 Third, not only was this line of credit obtained without prior approval of the Commission, the  
7 Company has a history of obtaining long-term loans without prior approval from the Commission. In  
8 1994, the Company was ordered to convert \$210,000 in unauthorized loans to paid-in-capital, and  
9 warned to refrain from this type of behavior in the future.<sup>1</sup> Again in 1999, the Company was ordered  
10 to convert \$213,000 in unauthorized loans to paid-in- capital, and was again warned about obtaining  
11 loans without prior Commission approval.<sup>2</sup>

12 Staff recommends denial of the line of credit because it can be withdrawn for any reason, it  
13 appears to be more of a personal loan than a loan to the Company, and even if it is a Company loan, it  
14 was obtained without prior Commission approval, by a Company that has a history of disregarding  
15 Commission rules.

16 **2. How did Staff determine that the line of credit is not actually a loan and that it is actually**  
17 **paid-in capital? What makes it paid-in-capital as opposed to a loan?**

18 The line of credit obtained by the Company is a loan; Staff cannot change the nature of the  
19 transaction, it can only recommend it be treated differently for ratemaking purposes. As discussed in  
20 Question No. 1, Staff has doubts that about whom the borrower actually is: the Levies or the  
21 Company. Because Staff is unsure about the borrower, and due to the Company's history concerning  
22 activities of this nature, Staff recommends for rate making purposes that the Commission not  
23 recognize this as a loan to the Company, but as an infusion of cash into the Company by its  
24 owners/shareholders.

25 ...

26 ...

27  
28 <sup>1</sup> Exhibit A – Dec. No. 58869

<sup>2</sup> Exhibit B – Dec. No. 61731

1           Ratemaking allows funds to be infused into a Company at anytime to fund capital  
2 expenditures or operating expenses, without permission by the Commission. This infusion of funds is  
3 typically placed in an equity account labeled paid-in-capital. The paid-in-capital account increases  
4 the value of the shareholder's equity but is not paid back like a loan. The shareholder gets his/her  
5 equity back by selling his/her shares.

6           **3. Why did Staff not recommend that the three loans from the trust be treated as paid-in-**  
7 **capital as well?**

8           Staff did not recommend that the three loans from the trust be treated as paid-in-capital  
9 because they have already been paid back by the Company and there is no longer a balance to move  
10 to another account. If there had been unpaid balances on any of the three loans, Staff would have also  
11 recommended that they be converted to paid-in-capital. Staff believes that the Company and the  
12 owners/shareholders were aware of this fact and proceeded to pay off the loans before the end of the  
13 test year.

14           **4. How did Staff treat the plant or other items that were paid for with the proceeds from the**  
15 **three loans and the proceeds from the line of credit?**

16           Unfortunately, Staff does not know how, or on what, the proceeds of the three loans were  
17 expended. However, if the loan money was spent on plant, then that plant is already included in the  
18 rate base; if was spent on operating expenses during the test year, then those expenses were reviewed  
19 in the test year operating expenses; but if those funds were spent on operating expenses outside the  
20 test year, then those expenses will receive no consideration.

21           There is still a current line of credit at issue in this case. Staff has not included any of the plant  
22 (50,000 gallon storage tank) being financed with that line of credit in the test year rate base. Staff  
23 concludes it is reasonable to exclude the 50,000 gallon storage tank because the Company did not  
24 obtain an Arizona Department of Environmental Quality "Approval of Construction," and the tank  
25 had not been connected to the system by the end of the test year.

26           ...

27           ...

1 **5. In light of the Company's apparent history of obtaining long-term financings without first**  
2 **obtaining Commission approval, does Staff continue to believe that its recommendations**  
3 **related to the line of credit and the three loans are appropriate?**

4 Staff's recommendations concerning the three paid loans and the line of credit are  
5 conservative, but appropriate. Utilities Staff works diligently with small water operators and utilities  
6 to make their interactions with the Commission as easy, effective, and efficient as possible. However,  
7 Staff does not condone the repeated disregard for direct Commission Orders. In light of this  
8 Company's past record, and since it has not changed its practices in obtaining unapproved loans,  
9 despite the Commission's history of converting them into paid-in-capital, Staff believes that sanctions  
10 and/or fines may eventually be appropriate.

11 **6. Did Staff consider the Company's history when it formulated its recommendations?**

12 The original Staff member who audited the Company's records and wrote the Staff Report has  
13 since retired. Normal auditing procedures require a review of the prior rate case and Decision. Staff  
14 notes that there is a copy of Decision No. 58869 contained in the current audit work papers.  
15 However, there is no other indication that the Company's prior history concerning unauthorized loans  
16 was examined.

17 The current Staff member in this case only learned of the prior unauthorized loans when the  
18 issue was broached by Judge Harpring during the March 29, 2010 Procedural Conference. Staff has  
19 re-examined the issue in answering Judge Harpring's questions, and has concluded that its  
20 recommendations are appropriate at this time.

21 **7. What is Staff's analysis of the Company's plan to drill a replacement well within the next**  
22 **year?**

23 Staff is in support of the Company's plan to drill a replacement well within the next year. The  
24 Company informed Staff that it had plans to drill a new well to replace an existing well (DWR #55-  
25 622083) with the purpose of better servicing existing residents and to accommodate potential growth  
26 within and adjacent to its CC&N. The Company currently has a problem with inadequate storage  
27  
28



1 capacity. The replacement well would be 700 feet deep, with an anticipated 65 gallon per minute  
2 ("GPM") production rate.

3 Staff reviewed the water use data included in the Company's 2008 Annual Report, and with  
4 an assumed fire flow requirement of 1,000 GPM for one house, concluded that with the addition of  
5 this replacement well the Company will be able to adequately serve its existing customers and 79  
6 potential additional customers. Staff also believes that the Company's quoted estimated drilling cost  
7 of \$25,337 is reasonable.

8 Staff concludes that the Company's plan to drill a 65 GPM replacement well is appropriate  
9 because the size and production rate of this new well would resolve the Company's inadequate  
10 storage capacity problem. However, no "used and useful" determination of the proposed project item  
11 has been made and no particular treatment should be inferred for rate making or rate base purposes at  
12 this time.

13 **8. What is Staff's analysis of the easement agreement between the Company and Daniel Paul**  
14 **Levie?**

15 The EASEMENT AND AGREEMENT FOR NINETY NINE YEARS BETWEEN THE  
16 PAUL D. AND RAE LEVIE TRUST dated 11-20-73, GRANITE MOUNTAIN WATER  
17 COMPANY, an Arizona Corporation, and DANIEL PAUL LEVIE, a single man, ("the Easement"),  
18 appears to conflict with the Company's tariffs. Paragraph 2 of the Easement states that certain  
19 property contained in Exhibit A shall receive *free* water and past accumulated charges will be  
20 canceled. The property described in Exhibit B shall receive water at a rate of \$2.00 per thousand  
21 gallons (half the price laid out in the Company's tariffs). On its face, it would appear that the  
22 Company has been charging this customer something different than the authorized rate.

23 **9. Does Staff have any recommendations related to the easement agreement?**

24 The Company should be reminded that it is required to charge its customers the rates and  
25 charges approved by the Commission. However a Company's failure to do so can be addressed by  
26 imputation for ratemaking purposes. To the extent that the Company may have charged a customer  
27 less than its authorized rates in the test year, imputation of the uncollected amounts to test year  
28

1 revenue may be appropriate. Staff is unable to provide an estimate of such an adjustment at this time  
2 because it does not possess the necessary water usage data for the properties. Staff will ask the  
3 Company to provide this information, and will file an update to these responses that sets forth a  
4 recommended adjustment. This issue should also be monitored for similarly appropriate adjustments  
5 in future rate cases.

6 During Staff's review of the legal description as contained in Exhibit A and Exhibit B to the  
7 Easement, Staff discovered that the actual locations of Well #4 and Well # 5 differ from DWR's  
8 record of their locations. Based on Staff's field inspection, the legal description contained in the  
9 easement, and analysis of area maps, Staff confirms that the easement's description does in fact lead  
10 to the physical locations of Well #4 and Well #5.<sup>3</sup> Staff recommends that the Company contact DWR  
11 to correct the discrepancy in the locations of the wells.

12 **10. Is Staff's recommendation for the Company to hire an engineer to design the 110,000-**  
13 **gallon tank due to a Staff determination that there was a problem with the design of the**  
14 **50,000-gallon tank?**

15 During the discovery phase of this case, Staff became aware of a 50,000 gallon storage tank  
16 that was being constructed adjacent to the already existing 19,000 gallon storage tank.<sup>4</sup> The  
17 installation was nearly complete; however, the tanks have yet to be interconnected. Based upon  
18 Staff's investigation, the new 50,000 gallon tank was not designed by a qualified, certified engineer,  
19 nor was it constructed with approval from the Department of Environmental Quality.

20 The 50,000 gallon storage tank and the 19,000 gallon storage tank are set on the same site at  
21 the same elevation. However, the 50,000 gallon tank is only 16 feet tall, where as the existing tank is  
22 26 feet tall. This difference in height will create a problem once the 50,000 gallon tank is in service  
23 because it will dramatically reduce the storage capacity of the existing tank; the 19,000 gallon tank  
24 will not be able to hold water above a 16 foot level, despite its 26 foot height. This reduces its storage  
25 by about 27 percent.


26  
27 <sup>3</sup> Exhibit C – Map of Area. Red dot indicates according to Staff's field inspection, the actual location of Well #4 and #5.  
Yellow dot indicates location of well according to DWR records.

28 <sup>4</sup> Exhibit D - Staff's field inspection of the Company on September 21, 2009 and Company's Response to Staff's Data  
Request DH4-8.

1 In its previously filed Staff Report, Staff recommended that due to the design problems of the newly  
2 constructed 50,000 gallon storage tank and the Company's current inadequate storage capacity, a new  
3 110,000 gallon storage tank should be installed and that the Company should hire a certified engineer  
4 to make sure it is appropriately designed.

5 Staff would like to make a clarifying point. The Company currently does not have adequate  
6 storage capacity. This issue can be rectified two different ways, both addressed in the above answers:  
7 the Company may drill a replacement well (as discussed in Question No. 7) or the Company can hire  
8 a certified engineer and construct and install a new 110,000 gallon capacity storage tank. Either  
9 option will rectify the current storage capacity situation, but the Company does not need to do both.

10 RESPECTFULLY SUBMITTED this 19<sup>th</sup> day of April 2010.


11  
12  
13   
14 Kimberly A. Ruht  
15 Attorney, Legal Division  
16 Arizona Corporation Commission  
17 1200 West Washington Street  
18 Phoenix, Arizona 85007  
19 (602) 542-3402

20 Original and fifteen (15) copies  
21 of the foregoing filed this  
22 19<sup>th</sup> day of April 2010 with:

23 Docket Control  
24 Arizona Corporation Commission  
25 1200 West Washington Street  
26 Phoenix, Arizona 85007

27 Copy of the foregoing mailed this  
28 19<sup>th</sup> day of April 2010 to:

Matthew Lauterbach, Chief Operating Officer  
Granite Mountain Water Company, Inc.  
2465 West Shane Drive  
Prescott, Arizona 86305



# EXHIBIT A

0 4 7 0 1 0 0 0 1

BEFORE THE ARIZONA CORPORATION COMMISSION

MARCIA WEEKS  
CHAIRMAN  
RENZ D. JENNINGS  
COMMISSIONER  
DALE H. MORGAN  
COMMISSIONER

IN THE MATTER OF THE APPLICATION )  
GRANITE MOUNTAIN WATER COMPANY, INC.)  
FOR A PERMANENT RATE INCREASE )

DOCKET NO. U-2467-94-288

DECISION NO. 58869  
Arizona Corporation Commission

ORDER DOCKETED

Open Meeting  
November 30, 1994  
Phoenix, Arizona

NOV 30 1994

BY THE COMMISSION:

DOCKETED BY

SS

The Granite Mountain Water Company, Inc., ("Company" or "Applicant") was granted a Certificate of Convenience and Necessity ("CC&N" or "Certificate") to provide water service in an area of Yavapai County, approximately three miles north of the City of Prescott off Williamson Valley Road.

This Application is in response to the Commission's Order in Decision No. 54902 (February 20, 1986), that the Applicant file for a permanent rate increase within 30 months of the granting of the CC&N.

The Staff Report recommends that the rate application be approved and further recommends that the Company file an application for an extension of its CC&N and for approval of the main extension agreement with the customers it services in the non-contiguous area.<sup>1</sup>

...

...

...

On November 14, 1994, the Company filed with the Commission a CC&N extension application, but did not file the main extension agreements.

FINDINGS OF FACT

1  
2 1. The Applicant is an Arizona corporation engaged in the  
3 business of providing water utility service to the public in a portion  
4 of Yavapai County, Arizona, pursuant to the authority granted by the  
5 Arizona Corporation Commission ("Commission") in Decision No. 54902  
6 (February 20, 1986).

7 2. Applicant's present rates and changes for water service were  
8 approved in Decision No. 54902 (February 20, 1986).

9 3. On June 22, 1994, Company filed with the Commission an  
10 application for permanent rate change.

11 4. During the test year ending December 31, 1993, the Applicant  
12 served 12 customers; seven metered and five unmetered.

13 5. Average and median water usage during the test year were  
14 6,003 and 3,722 gallons per months, respectively.

15 6. Applicant notified its customers of the proposed rates and  
16 charges by first class mail on June 16, 1994 and in response thereto,  
17 one letter questioned the need for a rate increase.

18 7. The Commission's Utilities Division ("Staff") conducted an  
19 investigation of Applicant's proposed rates and charges, and in the  
20 Staff Report filed October 21, 1994, recommended that an alternative  
21 rate schedule be approved without a hearing.

22 8. The rates and charges for Applicant at present, as proposed  
23 in the application, and as recommended by the Staff are as follows:

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	Present	Proposed Rates	
	Rates	Company	Staff
<b>MONTHLY USAGE CHARGE:</b>			
5/8" x 3/4" Meter	\$20.00	\$25.00	\$23.00
3/4" Meter	\$20.00	\$25.00	\$33.75
1" Meter	\$20.00	\$25.00	\$56.25
1 1/2" Meter	\$20.00	\$25.00	\$112.50
2" Meter	\$20.00	\$25.00	\$180.00
3" Meter	\$20.00	\$25.00	\$337.50
4" Meter	\$20.00	\$25.00	\$565.50
6" Meter	\$20.00	\$25.00	\$1,125.00
First 10,000 gallons- per 1000 gallons	\$2.50	\$3.50	\$4.00
Excess of 10,000 gallons- per 1000 gallons	\$3.50	\$4.50	\$5.00
Gallons included in minimum	-0-	-0-	-0-
<b><u>SERVICE LINE AND METER INSTALLATION CHARGES:</u></b>			
(Refundable pursuant to A.A.C. R14-2-405)			
5/8" x 3/4" Meter	\$250.00	\$350.00	\$400.00
3/4" Meter	\$300.00	\$400.00	\$450.00
1" Meter	\$350.00	\$400.00	\$555.00
1 1/2" Meter	\$450.00	\$450.00	\$716.00
2" Meter	\$550.00	\$550.00	\$1,572.00
3" Meter	-0-	-0-	\$2,400.00
4" Meter	-0-	-0-	\$3,516.00
6" Meter	-0-	-0-	\$6,916.00
<b><u>SERVICES CHARGES:</u></b>			
Establishment	\$10.00	\$10.00	\$15.00
Establishment (After Hours)	\$25.00	\$27.50	\$25.00
Reconnection (Delinquent)	\$25.00	\$30.00	\$25.00
Meter Test (If Correct)	\$10.00	\$12.00	\$35.00
Deposit	\$25.00	\$30.00	*
Deposit Interest	6.00%	6.00%	*
Re-Establishment			
(Within 12 Months)	0.00	**	**
NSF Check	\$10.00	\$35.00	\$15.00
Deferred Payment (Per Month)	10.00%	10.00%	1.00%
Meter Reread (If Correct)	\$7.50	\$10.00	\$10.00

\* Per Commissioner rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

9. Staff made the following adjustments to Applicant's operating expense:

- ♦ allowed \$49 for repair and maintenance to correct a lid and lock on a storage tank;
- ♦ allowed \$1,167 for a pro forma adjustment to reflect Staff's Engineering estimate of \$3,500 water testing cost required

under Environmental Protection Agency/Arizona Department of Environmental Quality requirements, amortized over three years;

- reduced depreciation expense by \$1,254 to make allowance for a reduction of \$24,977 from plant; and
- adjusted property tax by \$165 to reflect actual amount paid and to eliminate taxes for plant not being used for utility purpose.

10. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$150,773, which is the same as its original cost rate base.

11. In order to determine Applicant's FVRB, Staff decreased the proposed rate base by \$18,300 which was the result of adjustments to plant in service, depreciation, the working capital allowance, and plant and meter advances.

12. Applicant's present rates and charges produced adjusted operating revenues of \$5,392 and an adjusted operating expense of \$16,437, which resulted in a net operating loss of \$11,045 during the test year.

13. The rates and charges Applicant proposed would produce operating revenues of \$6,961 and an adjusted operating expense of \$16,689, resulting in a test year net operating loss of \$9,728.

14. The rates and charges Staff recommended would produce operating revenues of \$7,108 and an adjusted operating expense of \$16,437, resulting in test year net operating loss of \$9,329.

15. Staff's proposed rates and charges will result in a positive cash flow of \$454.

16. Applicant's proposed rate schedule would increase the typical monthly customer bill by 29.8%, from \$29.31 to \$38.03.

17. Staff's recommended rates would increase the typical monthly customer bill by 29.3%, from \$29.31 to \$37.89.



18. Under the circumstances described herein, the rates and charges recommended by the Staff are reasonable and appropriate for the Company at this time.

19. Staff has additionally recommended that Applicant:

- ♦ operate under Commission Rules and Regulations contained in A.A.C. Title 14, Chapter 2, Article 4;
- ♦ include a provision in its tariff to allow for the flow-through of appropriate state and local taxes, as provided in A.A.C. R14-409.D.5.;
- ♦ include in its tariff in compliance with the Rules and Regulations of the Commission and the Arizona Department of Environmental Quality, specifically A.A.C. R14-2-405.B.6 and A.A.C. R18-4-232 relating to backflow prevention, and that this provision be made subject to Staff approval;
- ♦ install meters on all customer connections to the water distribution system;
- ♦ install a master meter on Well Nos. 2 and 3;
- ♦ alter the lid and install a lock on the storage tank at Well Site No. 2;
- ♦ provide a lock for the gate on Well Site No. 2;
- ♦ modify the Well No. 1 vent pipe to provide a screen and extend the overflow pipe;
- ♦ convert the entire \$210,000 being carried as loans to paid-in-capital; and
- ♦ if the Company's customer base increases significantly, the Commission should reconsider the rate making treatment of the funds being considered as Paid-in-Capital.

20. Staff's recommendations, as set forth in Findings of Fact No. 19, are reasonable and should be adopted.

#### CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. Sections 40-250 and 40-251.

2. The Commission has jurisdiction over Applicant and of the subject matter of the Application.

1 3. Notice of the application was provided in the manner  
2 prescribed by law.

3 4. The rates and charges authorized hereinbelow are just and  
4 reasonable and should be approved without a hearing.

5 ORDER

6 IT IS THEREFORE ORDERED that Granite Mountain Water Co. is hereby  
7 directed to file on or before November 30, 1994, revised rate  
8 schedules setting forth the following rates and charges:

9 MONTHLY USAGE CHARGE:

10	5/8" x 3/4" Meter	\$23.00
	3/4" Meter	\$33.75
	1" Meter	\$56.25
11	1 1/2" Meter	\$112.50
	2" Meter	\$180.00
12	3" Meter	\$337.50
	4" Meter	\$565.50
13	6" Meter	\$1,125.00

14 First 10,000 gallons-  
15 per 1000 gallons \$4.00

16 Excess of 10,000 gallons  
17 per 1000 gallons \$5.00

18 Gallons included in  
19 minimum -0-

20 SERVICE LINE AND METER INSTALLATION CHARGES:

21 (Refundable pursuant to A.A.C. R14-2-405)

22	5/8" x 3/4" Meter	\$400.00
	3/4" Meter	\$450.00
	1" Meter	\$555.00
23	1 1/2" Meter	\$716.00
	2" Meter	\$1,572.00
24	3" Meter	\$2,400.00
	4" Meter	\$3,516.00
25	6" Meter	\$6,916.00

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SERVICES CHARGES:

Establishment	\$15.00
Establishment (After Hours)	\$25.00
Reconnection (Delinquent)	\$25.00
Meter Test (If Correct)	\$35.00
Deposit	*
Deposit Interest	*
Re-Establishment	
(Within 12 Months)	**
NSF Check	\$15.00
Deferred Payment (Per Month)	1.00%
Meter Reread (If Correct)	\$10.00

\* Per Commissioner rule A.A.C. R-14-2-403(B).

\*\* Months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

IT IS THEREFORE ORDERED that the above rates and charges shall be effective for all services on or after December 1, 1994.

IT IS FURTHER ORDERED that Granite Mountain Water Co. shall notify its customers of the rates and charges authorized hereinabove and the effective date of the same by means of an insert in its next regular monthly billing.

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1 IT IS FURTHER ORDERED that Granite Mountain Water Co. is hereby  
2 directed to comply with the Staff recommendations set forth in Finding  
3 of Fact No. 19.

4 IT IS FURTHER ORDERED that the Staff Engineering recommendations  
5 set forth in Findings of Fact No. 19 are amended to require Granite  
6 Mountain Water Co. to complete within 90 days of the Commission's  
7 Order, all meter installations on customer connections and  
8 installation of a master meter as well as all corrections to well  
9 storage tank lids, vents and locks.

10 IT IS FURTHER ORDERED that Granite Mountain Water Co. is directed  
11 to file the main extension agreements with the Commission within 30  
12 days of the effective date of this Decision.

13 IT IS FURTHER ORDERED that this Decision shall become effective  
14 immediately.

15 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

16  
17   
18 CHAIRMAN

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17 COMMISSIONER

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17 COMMISSIONER

19 IN WITNESS WHEREOF, I, JAMES MATTHEWS, Executive  
20 Secretary of the Arizona Corporation Commission, have  
21 hereunto set my hand and caused the official seal of the  
22 Commission to be affixed at the Capitol, in the City of  
23 Phoenix, this 30 day of November, 1994.

23   
24 JAMES MATTHEWS  
25 EXECUTIVE SECRETARY

26 DISSENT \_\_\_\_\_  
27 PJB  
28



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1 SERVICE LIST FOR:

GRANITE MOUNTAIN WATER COMPANY,  
INC.

2

DOCKET NO.:

U-2467-94-288

3

4 Paul D. Levie  
5 GRANITE MOUNTAIN WATER CO., INC.  
6 P.O. Box 450  
7 Chino Valley, Arizona 86323

6

7 Paul A. Bullis, Chief Counsel  
8 Legal Division  
9 ARIZONA CORPORATION COMMISSION  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007

9

10 Gary Yaquinto, Director  
11 Utilities Division  
12 ARIZONA CORPORATION COMMISSION  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

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# EXHIBIT B

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

CARL J. KUNASEK  
CHAIRMAN

JIM IRVIN  
COMMISSIONER

TONY WEST  
COMMISSIONER

JUN 04 1999

DOCKETED BY

*sd*

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR THE APPROVAL OF LONG-TERM  
DEBT OR OTHER EVIDENCES OF  
INDEBTEDNESS.

DOCKET NO. W-02467A-98-0748

IN THE MATTER OF THE APPLICATION OF  
GRANITE MOUNTAIN WATER COMPANY,  
INC. FOR APPROVAL TO ISSUE LONG-TERM  
DEBT OR EQUITY.

DOCKET NO. W-02467A-99-0040

DECISION NO. 61731

ORDER

Open Meeting  
June 1 and June 2, 1999  
Phoenix, Arizona

BY THE COMMISSION:

On December 23, 1998, Granite Mountain Water Company, Inc. ("Applicant" or Company") filed with the Arizona Corporation Commission ("Commission") an application requesting the Commission's retroactive approval of long-term debt in an amount not to exceed \$5,000.

On January 29, 1999, the Company filed an application requesting the Commission's authorization to execute a long-term financing agreement or authorize Applicant to issue equity in order to finance construction of new water lines and improvements.

On April 13, 1999, the Commission's Utilities Division ("Staff") filed its Staff Report with respect to the above-captioned applications. Neither the Company nor Staff requested consolidation of the applications however, because Staff analyzed the applications in one Staff Report, they will be consolidated for purposes of this Order.

\* \* \* \* \*

Having considered the entire record herein and being fully advised in the premises, the Commission finds, concludes, and orders that:

...

**FINDINGS OF FACT**

1  
2 1. Applicant is an Arizona corporation engaged in providing water utility service to  
3 approximately 28 customers in various parts of Chino Valley, Yavapai County, Arizona.

4 2. On December 23, 1998, the Company filed with the Commission in Docket No. W-  
5 02467A-98-0748 an application requesting the Commission's retroactive approval for the issuance of  
6 long-term debt in the form of a five year promissory note dated January 22, 1998. The note is  
7 payable to Equestrian Development Corporation ("EDC") in the amount of \$5,000 with no interest,  
8 and was used for the purchase of a 1978 Case backhoe.<sup>1</sup>

9 3. On January 29, 1999, Applicant filed with the Commission in Docket No. W-02467A-  
10 99-0040 an application requesting the Commission's approval for the issuance of long-term debt  
11 and/or authorization to issue equity in the amount of \$97,327 which is to be utilized for the  
12 construction of new water lines and improvements. The Company further requests that the  
13 Commission determine the reasonable allocation of the debt and equity authorized hereinafter.

14 4. Concurrently with the Company's application for approval of debt and/or equity,  
15 Applicant also submitted a line extension agreement for \$209,518 with Chamberlain Development,  
16 L.L.C. ("Chamberlain") for review by Staff.

17 5. Upon Staff's review of the Chamberlain line extension agreement, Staff determined  
18 that \$27,813 related to well drilling costs should be added to Applicant's request for financing  
19 approval in Docket No. W-02467A-98-0040 because this sum represents an improvement to  
20 Applicant's backbone plant.

21 6. Applicant agreed to Staff's recommended revision of its \$97,327 financing application  
22 and agreed that it should be increased to a sum of \$125,140.

23 7. On April 9, 1999, Applicant notified its customers of the applications for the long-  
24 term financing described herein, and in response thereto, the Commission has received no protests.

25 8. On April 13, 1999, Staff filed its Staff Report, and recommended that the Commission  
26 approve \$5,000 in long-term debt for the purchase of the 1978 Case backhoe and approve the  
27

28 <sup>1</sup> EDC is a developer owned and operated by Mr. Paul D. Levie, the Applicant's Vice President.



issuance of \$125,140 in equity with the funds produced thereby to be utilized to finance the construction of new water lines and improvements for the Company.

9. Upon Staff's review of Applicant's initial application herein for approval of the promissory note for the purchase of 1978 Case backhoe, Staff noted that the Company's 1997 Utilities Annual Report included unauthorized long-term debt in the form of nine separate loans totaling \$213,300 which were incurred between July 1, 1985 and June 6, 1996.

10. On November 30, 1994, the Commission issued Decision No. 58869 wherein it ordered Applicant to "convert the entire \$210,000 being carried as loans to paid-in-capital".

11. Staff noted that Applicant had failed to comply with the Order of the Commission in Decision No. 58869 and that the Company had been continuing to add additional long-term debt which was not approved by the Commission.

12. Based on data provided to Staff in Docket No. W-02370A-98-0392 involving Chino Meadows II Water Company, Inc. ("Chino"), another water utility owned by Mr. Levie, the Company actually acquired the 1978 Case backhoe from Chino after Chino had acquired the backhoe from EDC. Applicant then agreed to pay to EDC, Chino's \$5,000 purchase price over a period of five years with no interest and annual payments of \$1,000.

13. Based on Applicant's customer growth projections, the Company could well experience a rapid increase to ten times its existing size and, for \$5,000, Applicant is securing the 1978 Case backhoe at a bargain price to aid its planned expansion.

14. Staff recommends approval of the long-term debt for the 1978 Case backhoe, but will reserve judgement on whether the backhoe should be included in Applicant's rate base until the Company files its next rate case to determine whether or not the backhoe is used and useful.<sup>2</sup>

15. With respect to the application for financing approval for the construction of the new water lines and improvements, Staff reviewed all documentation and inspected construction which has been completed and that which is proposed for Applicant's expected customer growth. Staff recommends the issuance of equity to fund construction, but makes no judgement on whether the

<sup>2</sup> Staff normally would question the need for a backhoe for a water utility with only 28 customers except for Applicant's planned expansion.



1 proposed financing for construction should be included in Applicant's rate base until its next rate case  
2 to determine whether these improvements were reasonable and necessary for the provision of service  
3 and whether the new plant items are used and useful.

4 16. According to Staff, the Company is in poor financial health and current customers will  
5 only benefit marginally from the proposed new water lines and other improvements.

6 17. Based on Staff's analysis, the Company experienced an approximate operating loss of  
7 \$11,100 for the year ended December 31, 1996, and while operating revenues increased by  
8 approximately \$2,360 for the year ended December 31, 1997, the Company still experienced an  
9 operating loss of approximately \$8,500.

10 18. Applicant has continued to lose money since it was incorporated in 1985. In large  
11 part, the losses are due to the Company's minimal customer base. There is evidence that the  
12 Company is growing since it experienced a 32 percent increase in customers between 1994 and 1997.

13 19. With the adoption of Staff's recommendation to approve \$5,000 in long-term debt for  
14 the 1978 Case backhoe, Applicant's capital structure would be only minimally affected. After the  
15 removal of the unauthorized long-term debt of approximately \$213,000, Applicant's long-term debt  
16 would increase only marginally to 3.3 percent from 0 percent and equity would decrease from 100  
17 percent to 96.7 percent.

18 20. Staff did not perform an analysis of Applicant's ability to service the debt which Staff  
19 is recommending be approved because of the Company's ongoing operating losses which would  
20 prevent a meaningful study from being performed. However, because of depreciation expense, Staff  
21 found there is sufficient cash flow to meet the backhoe debt.

22 21. Because of Applicant's poor financial condition as described herein Staff is  
23 recommending that Applicant be authorized by the Commission to only issue common stock in an  
24 amount up to \$125,140 in order to fund the Company's proposed new water lines and other  
25 improvements.

26 22. Staff further recommends that the approval of its recommendations for the financings  
27 herein be made contingent upon Applicant converting, within 30 days of the effective date of this  
28 Decision, all outstanding unauthorized debt as of the date of this Decision to paid-in-capital and file

1 copies of the appropriate journal entries of same with the Commission.

2 23. After our review of these applications, we believe that \$5,000 for the 1978 Case  
3 backhoe and the issuance of up to \$125,140 in common stock to fund new water lines and other  
4 improvements are appropriate forms of financing for Applicant and that said sums should be  
5 approved at the terms and conditions recommended by Staff. Additionally, the Company should file  
6 copies of all executed loan documents and/or confirmation that the common shares have been issued  
7 and should not enter into any long-term financing agreements without prior Commission approval.

8 CONCLUSIONS OF LAW

9 1. Applicant is a public service corporation within the meaning of Article XV of the  
10 Arizona Constitution, A.R.S. §§ 40-301 and 40-302.

11 2. The Commission has jurisdiction over Applicant and of the subject matter of the  
12 applications.

13 3. Notice of the applications was provided in the manner prescribed by law.

14 4. The Company's application for long-term debt for the 1978 Case backhoe should be  
15 approved in an amount not to exceed \$5,000, repayable with no interest for a period of five years.

16 5. The Company's application for long-term debt and/or for the issuance of equity to  
17 fund new water lines and other improvements should be approved for the issuance of up to \$125,140  
18 in common stock.

19 6. The proposed long-term financings for \$5,000 and \$125,140, subject to the  
20 recommended terms and conditions by Staff, are for lawful purposes within Applicant's corporate  
21 powers, are compatible with the public interest, with sound financial practices, and with the proper  
22 performance by Applicant of service as a public service corporation, and will not impair Applicant's  
23 ability to perform that service.

24 7. The financings approved herein are for the purposes stated in the applications and are  
25 reasonably necessary for those purposes, and such purposes are not wholly or in part reasonably  
26 chargeable to operating expenses or to income.

27 8. The Company's applications for \$5,000 in long-term debt and the issuance of up to  
28 \$125,140 in common stock, and subject to Staff's recommendations as to the terms and conditions,



1 should be summarily granted.

2 ORDER

3 IT IS THEREFORE ORDERED that Granite Mountain Water Company, Inc. be, and the  
4 same hereby is, authorized to incur long-term debt in an amount not to exceed \$5,000 with no interest  
5 for a period of five years.

6 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. be, and the same  
7 hereby, is authorized to issue up to \$125,140 in common stock.

8 ✓ IT IS FURTHER ORDERED that the authorizations for the financings granted hereinabove  
9 be conditioned upon Granite Mountain Water Company, Inc. filing, within 30 days of the effective  
10 date of this Decision, with the Director of the Commission's Utilities Division copies of the  
11 appropriate journal entries which convert all outstanding unauthorized debt as of the date of this  
12 Decision to paid-in-capital or the approvals granted herein shall be rendered null and void without  
13 further Order by the Commission.

14 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. be, and the same  
15 hereby is authorized to engage in any transactions and to execute any documents necessary to  
16 effectuate the authorizations granted hereinabove.

17 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Granite  
18 Mountain Water Company, Inc.'s use of the proceeds for the purposes set forth in the applications.

19 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not  
20 constitute or imply approval or disapproval by the Commission of any particular expenditure of the  
21 proceeds derived thereby for purposes of establishing just and reasonable rates.

22 IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall, in the future,  
23 not issue any long-term debt or other evidences of indebtedness without prior Commission approval.

24 ✓ IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall file, within  
25 30 days of finalization, with the Director of the Commission's Utilities Division, a copy of all loan  
26 documents which set forth the terms of the long-term debt as approved herein if not previously filed.

27 ...

28 ...

1 ✓ IT IS FURTHER ORDERED that Granite Mountain Water Company, Inc. shall file  
2 certification, within 30 days of issuance, with the Director of the Commission's Utilities Division that  
3 the above-mentioned common stock has been issued and the proceeds received.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

6  
7   
8 CHAIRMAN

COMMISSIONER

9   
COMMISSIONER

10  
11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive  
12 Secretary of the Arizona Corporation Commission, have  
13 hereunto set my hand and caused the official seal of the  
14 Commission to be affixed at the Capitol, in the City of Phoenix,  
15 this 4<sup>TH</sup> day of June, 1999.

16   
17 BRIAN C. McNEIL  
18 EXECUTIVE SECRETARY

19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
DISSENT  
MES:bbs 

1 SERVICE LIST FOR: GRANITE MOUNTAIN WATER COMPANY, INC.  
2 DOCKET NO. W-02467A-98-0748 AND W-02467A-99-0040  
3 Paul D. Levie, Vice President  
4 GRANITE MOUNTAIN WATER COMPANY, INC.  
5 P.O. Box 450  
6 Chino Valley, Arizona 86232  
7 Paul Bullis, Chief Counsel  
8 Legal Division  
9 ARIZONA CORPORATION COMMISSION  
10 1200 West Washington Street  
11 Phoenix, Arizona 85007  
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# EXHIBIT C







# EXHIBIT D

**GRANITE MOUNTAIN WATER COMPANY, INC**

October 5, 2009

Kevin O. Torrey, Attorney  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, AZ 85007

Re: Response to Staff's **Fourth** Set of Data Requests to Granite Mountain Water Company, Inc.  
Docket Nos: W-02467A-09-0333 and W-02467A-09-0334

Dear Mr. Torrey,

Thank you for your letter and request. Please find hereafter the responses to the data request dated September 30, 2009.

Regards,

Matthew Lauterbach  
Water Administrator  
Granite Mountain Water Company  
(928) 717-2616

Cc: Dorothy Hains, Utilities Division, Arizona Corporation Commission  
Paul D. Levie, President, Granite Mountain Water Company

Physical Address  
2465 Shane Drive  
Prescott, AZ 86305

Mailing Address  
PO Box 350  
Chino Valley, AZ 86323

Phone (928) 717-2616  
Fax (928) 717-2621  
Email gmwc@leviegroupp.com

October 5, 2009

Response to Staff's Fourth Set of Data Requests to Granite Mountain Water Company, Inc.

Docket Nos: W-02467A-09-0333 and W-02467A-09-0334

Page 2

DH 4-1 During Staff's field inspection, the Company could not identify what plant items were installed in 1998 and 1999 that were related to "Other Plant & Misc. Equipment" Account (Account #339) for \$10,705 in 1998 and \$19,443 in 1999. Therefore please provide the invoice copies of those plant items.

Docket No. W-02467A-98-0748 ET. AL. addressed a line extension agreement (Granite Park Ranch) with "Chamberlin Development, L.L.C.". In this decision the sum of \$10,705 was represented as "Misc.". These were miscellaneous expenses (Acct #339) directly related to the expansion of service to Granite Park Ranch within the Company's CC&N. These improvement costs were reconciled and provided by the Company's Certified Public Accountant in 1998.

Regarding the 1999 sum of \$19,443, this was directly related to the miscellaneous expenses including excavation and testing for the building of the Company's pressure tank facility located in the public utility easement of Yavapai County Parcel 102-14-037 at 2929 Rainmaker, Prescott, AZ and subsequent water line excavation. These improvement costs were reconciled and provided by the Company's Certified Public Accountant in 1999.

DH 4-2 The Company could not identify what plant items were installed in 1998 and 1999 that were related to "Structures & Improvements" Account (Account #304) for \$10,000 in 1998 and \$35,771 in 1999. Therefore, please provide the invoice copies of those plant items.

In reference to the sum of \$10,000 for Account #304 in 1998, these costs were directly related to the structural improvement of the Granite Park Ranch extension, including the building of a enclosed pressure reduction station. These improvement costs were reconciled and provided by the Company's Certified Public Accountant in 1998.

Regarding the 1999 sum of \$35,771, this was directly related to the building of the Company's pressure tank system located at 2929 Rainmaker, Prescott, AZ. These improvement costs were reconciled and provided by the Company's Certified Public Accountant in 1999.

October 5, 2009

Response to Staff's Fourth Set of Data Requests to Granite Mountain Water Company, Inc.

Docket Nos: W-02467A-09-0333 and W-02467A-09-0334

Page 3

DH 4-3 During the field inspection, Staff found that Well #1 (DWR #55-511301) and Well #2 (DWR #55-502453) had been removed from service, Please inform when those wells were retired. If those wells were retired after 1994, please provide the original costs of those wells.

Well #1 is a monitoring well with permission extended to ADWR to monitor the water levels. Well #2 is "not in service" and is considered a "back-up" well for the Company. Neither well has been retired with regards to ADWR or groundwater rights. The original cost for these wells is shown in the prior decision as \$13,554.95. For purposes solely related to this filing, Well #1 and Well #2 were removed from service and retired in 2005. Therefore, we have amended our application to reflect these changes on Pages 13, 14, 15, 20, and 21. We have also amended Page 16 to reflect a typographical error regarding the meter size for Well ID Number 55-511771. See these revisions show as Exhibit 10/05/09 #1.

DH 4-4 In the Application, the Company reported total 100 customer meters in the system in the test year per Plant Description for customer meters. However, the water usage data show, the Company served 101 customers by the end of the test year. It appears just typo, please correct this error.

As amended in the Company's response to the Commission's 1<sup>st</sup> Letter of Deficiency, dated August 13, 2009, section 1.2, the number of customers for test year 2008 was 101.

DH 4-5 The water usage indicated that the Company experienced 20% water loss during the test year. However, the Company stated that the Company believed huge water loss due to theft and problem had been solved. Please forward the water usage data from January 2009 to August 2009 to demonstrate the problem had been corrected. Please use attached form.

In response to Staff's visit and verbal request, the document was completed and mailed via U.S.P.S. to the Commission on September 30, 2009. An additional copy has been attached to this request (Exhibit 10/05/09 #2).

October 5, 2009

Response to Staff's Fourth Set of Data Requests to Granite Mountain Water Company, Inc.

Docket Nos: W-02467A-09-0333 and W-02467A-09-0334

Page 4

DH 4-6 The Company informed Staff that the Company does not own land including all well sites and tank site, but the Company does own the wells and tank. Please provide a long term (e.g. 99 years) land lease agreement between the Company and the land owner.

Please find attached (Exhibit 10/05/09 #3) the lease for the wells titled: "EASEMENT AND AGREEMENT FOR NINETY NINE YEARS BETWEEN THE PAUL D. AND RAE LEVIE TRUST dated. 11-20-73, GRANITE MOUNTAIN WATER COMPANY, an Arizona Corporation, and DANIEL PAUL LEVIE, a single man." The pressure tank and storage tank facility is located within a public utility easement of Yavapai County Parcel # 102-14-037.

DH 4-7 The attached diagram is the information had been collected during Staff's field inspection. Please review it and inform if there any error should be corrected.

Please see the Company's revision to the attached diagram (Exhibit 10/05/09 #4).

DH 4-8 During the field inspection, Staff learned that the proposed 50,000 gallon storage tank (16' in height) had been constructed but not in service. However, the existing storage tank is 26' tall tank. Both tanks are at same site and set on same elevation. Therefore, when the new 50,000 gallon tank in service, the storage capacity will be reduced dramatically in the existing storage tank. The analysis results indicate that the Company will not have adequate water storage capacity for its customers when the new tank is in service.

The Company currently has a 19,000 gallon storage tank "Tank #1" in service. The Company is adding a new 50,000 gallon storage tank "Tank #2" to the system. The height of Tank #1 is approximately 26 feet tall and is to be reduced to match the height of Tank #2, being 16 feet tall. This is about 27% less capacity than Tank #1 currently holds. Therefore, the revised storage capacity of Tank #1 will be approximately 13,500 gallons. With the addition of Tank #2, the storage capacity will not be below 19,000 at any time and will be increased to approximately 63,500 gallons with both tanks in service. In addition the Company has advised Staff that the Company has planned and designed space for an adjacent additional 50,000 gallon storage tank "Tank #3".

<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

**Plant Additions and Retirements by Year**

Acct. No.	Description	Year 2004		Year 2005	
		Additions	Retirements	Additions	Retirements
301	Organization	0	0	0	0
302	Franchises	0	0	0	0
303	Land & Land Rights	0	0	0	0
304	Structures & Improvements	0	0	0	0
307	Wells & Springs	0	0	10,804	13,554.95
311	Pumping Equipment	8,436	0	8,872	0
320	Water Treatment Equipment	0	0	0	0
320.1	Water Treatment Plants	0	0	0	0
320.2	Solution Chemical Feeders	0	0	0	0
330	Distribution Reservoirs & Standpipes	0	0	0	0
330.1	Storage Tanks	0	0	0	0
330.2	Pressure Tanks	0	0	0	0
331	Transmission & Distrib. Mains	27,774	0	5,625	0
333	Services	0	0	0	0
334	Meters & Meter Installations	0	0	0	0
335	Hydrants	0	0	0	0
336	Backflow Prevention Devices	0	0	0	0
339	Other Plant & Misc. Equipment	0	0	0	0
340	Office Furniture & Equipment	0	0	0	0
340.1	Computers & Software	0	0	0	0
341	Transportation Equipment	0	0	0	0
343	Tools, Shop & Garage Equip.	0	0	0	0
344	Laboratory Equipment	0	0	0	0
345	Power Operated Equipment	0	0	0	0
346	Communication Equipment	0	0	853	0
347	Miscellaneous Equipment	0	0	0	0
348	Other Tangible Plant	0	0	0	0
	<b>TOTAL WATER PLANT</b>	<b>36,210</b>	<b>0</b>	<b>26,154</b>	<b>13,554.95</b>

*Note: Enter all additions and retirements, by year, from the prior test year through the end of the current test year. Enter the totals for the additions and retirements for all intervening years on page 14, Columns B and C, respectively.*

<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

**Plant Summary**

Acct. No.	Description	Plant in Service Per Prior Decision	Total Additions	Total Retirements	Test Year End Total
		<i>Column A</i>	<i>Column B</i>	<i>Column C</i>	<i>Column D*</i>
301	Organization	110.13	0	0	110.13
302	Franchises	0	0	0	0
303	Land & Land Rights	0	0	0	0
304	Structures & Improvements	11607.71	45770.80	0	57378.51
307	Wells & Springs		38471.79	13,554.95	38471.79
311	Pumping Equipment	27902.65	76367.05	0	104269.70
320	Water Treatment Equipment	0	0	0	0
320.1	Water Treatment Plants	0	0	0	0
320.2	Solution Chemical Feeders	0	1660.57	0	1660.57
330	Distribution Reservoirs & Standpipes	7325.00	0	0	7325.00
330.1	Storage Tanks	0	0	0	0
330.2	Pressure Tanks	0	0	0	0
331	Transmission & Distrib. Mains	125218.06	276280.92	0	401498.98
333	Services	4250.00	51602.90	0	55852.90
334	Meters & Meter Installations	891.00	2542.99	0	3433.99
335	Hydrants	32.45	8741.87	0	8774.32
336	Backflow Prevention Devices	0	1026.51	0	1026.51
339	Other Plant & Misc. Equipment	4850.00	30147.50	0	34997.50
340	Office Furniture & Equipment	0	0	0	0
340.1	Computers & Software	0	0	0	0
341	Transportation Equipment	0	0	0	0
343	Tools, Shop & Garage Equip.	0	0	0	0
344	Laboratory Equipment	0	0	0	0
345	Power Operated Equipment	0	5000.00	0	5000.00
346	Communication Equipment	0	853.00	0	853.00
347	Miscellaneous Equipment	0	0	0	0
348	Other Tangible Plant	20.00	0	0	20.00
	<b>TOTAL WATER PLANT</b>	195761.95	538465.90	13,554.95	720672.90

*Note: Please refer to the checklist on page 1 for the required attachments related to this schedule*

*\* Column D = Column A + Column B - Column C*

<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

**UTILITY PLANT IN SERVICE**

Acct No.	Description	Original Cost	Accumulated Depreciation	OCLD
		<i>Column A</i>	<i>Column B</i>	<i>Column C**</i>
301	Organization	110	101	9
302	Franchises	0	0	0
303	Land & Land Rights	0	N/A	0
304	Structures & Improvements	57,379	33,533	23,846
307	Wells & Springs	38,472	32,641	
311	Pumping Equipment	104,270	56,535	47,735
320	Water Treatment Equipment	0	0	0
320.1	Water Treatment Plants	0	0	0
320.2	Solution Chemical Feeders	1,661	37	1,624
330	Distribution Reservoirs & Standpipes	7,325	6,977	348
330.1	Storage Tanks	0	0	0
330.2	Pressure Tanks	0	0	0
331	Transmission & Distrib. Mains	401,499	201,916	199,583
333	Services	55,852	31,292	24,560
334	Meters & Meter Installations	3,434	1,445	1,989
335	Hydrants	8,774	277	8,497
336	Backflow Prevention Devices	1,027	30	997
339	Other Plant & Misc. Equipment	34,998	19,870	15,128
340	Office Furniture & Equipment	0	0	0
340.1	Computers & Software	0	0	0
341	Transportation Equipment	0	0	0
343	Tools, Shop & Garage Equip.	0	0	0
344	Laboratory Equipment	0	0	0
345	Power Operated Equipment	5,000	2,729	2,271
346	Communication Equipment	853	570	283
347	Miscellaneous Equipment	0	0	0
348	Other Tangible Plant	20	19	1
	<b>TOTAL WATER PLANT</b>	* 720,673	* 387,972	332,701

\* *Must be the same as the amount reported on page 20*

\*\**Column C = Column A - Column B*



<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

## WATER COMPANY PLANT DESCRIPTION

### WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-511301	None	n/a	400'	6"	n/a	1985
55-502453	1/2	5	340'	7"	3/8"	1982
55-511771	15	22 gpm	362'	8"	2"	redrilled 2004
55-554078	15	60 gpm	500'	8"/6"	3"	1996
55-622083	None	n/a	n/a	8"	n/a	before 1986

\*Not actively in use

### OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
3	2	3	0

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
19,000	1	2,000	1

<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

### CALCULATION OF DEPRECIATION EXPENSE

Acct. No..	Description	Original Cost	Depreciation Percentage	Depreciation Expense
		<i>Column A</i>	<i>Column B</i>	<i>Column C*</i>
301	Organization	110	0	0
302	Franchises	0	0	0
303	Land & Land Rights	0	N/A	0
304	Structures & Improvements	57,379	5%	2,869
307	Wells & Springs	38,472	6.8%	2,602
311	Pumping Equipment	104,270	4.8%	5,017
320	Water Treatment Equipment	0	0	0
320.1	Water Treatment Plants	0	0	0
320.2	Solution Chemical Feeders	1,661	2.2%	37
330	Distribution Reservoirs & Standpipes	7,325	5%	366
330.1	Storage Tanks	0	0	0
330.2	Pressure Tanks	0	0	0
331	Transmission & Distrib. Mains	401,499	4.2%	16,923
333	Services	55,852	5%	2,793
334	Meters & Meter Installations	3,434	4.5%	155
335	Hydrants	8,774	2.5%	220
336	Backflow Prevention Devices	1,027	2.9%	30
339	Other Plant & Misc. Equipment	34,998	5%	1,750
340	Office Furniture & Equipment	0	0	0
340.1	Computers & Software	0	0	0
341	Transportation Equipment	0	0	0
343	Tools, Shop & Garage Equip.	0	0	0
344	Laboratory Equipment	0	0	0
345	Power Operated Equipment	5,000	5%	250
346	Communication Equipment	853	20%	171
347	Miscellaneous Equipment	0	0	0
348	Other Tangible Plant	20	5%	1
	<b>TOTAL WATER PLANT</b>	<b>720,673</b>		<b>33,184</b>

in column 2.

\*  $Column\ C = Column\ A \times Column\ B$

<b>COMPANY NAME:</b> Granite Mountain Water Company, Inc.	<b>Test Year Ended:</b> 2008
<b>Name of System:</b> Granite Mountain Water	<b>ADEQ Public Water System Number:</b> 13-150

### BALANCE SHEET

Acct. No.		BALANCE AT BEGINNING OF TEST YEAR	BALANCE AT END OF TEST YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 84,089	\$ 12,164
134	Working Funds	0	0
135	Temporary Cash Investments	0	0
141	Customer Accounts Receivable	9,430	16,278
146	Notes/Receivables from Associated Companies	52,179	26,216
151	Plant Material and Supplies	2,628	2,628
162	Prepayments	0	0
174	Miscellaneous Current and Accrued Assets	0	0
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	<b>\$ 148,325</b>	<b>\$ 57,287</b>
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 588,366	\$ 720,673 *
103	Property Held for Future Use	0	13,555
105	Construction Work in Progress	0	0
108	Accumulated Depreciation – Utility Plant ("AD-UP")	(327,196)	(\$ 387,972)**
121	Non-Utility Property	0	0
122	Accumulated Depreciation – Non Utility ("AD-NU")	(27,544)	(\$ 0 )
	<b>TOTAL FIXED ASSETS</b>	<b>\$ 233,626</b>	<b>\$ 346,257</b>
	<b>TOTAL ASSETS</b>	<b>\$ 381,952</b>	<b>\$ 403,542</b>

*Note: Total Assets on this page should equal the sum of Total Liabilities and Total Capital on page 22. Also, numbers in parentheses should be subtracted. For example, Accounts 108 and 122 should be subtracted from Total Fixed Assets.*

*\* Must equal page 15, original cost*

*\*\* Must equal page 15, accumulated depreciation*

**COMPANY NAME:** Granite Mountain Water Company, Inc.

**Name of System:** Granite Mountain Water Company **ADEQ Public Water System Number:** 13-150

**WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR** 2009 Year to Date

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	97	378.6	401.4	0
FEBRUARY	93	459.0	508.2	0
MARCH	93	641.2	744.2	0
APRIL	92	781.5	847.5	0
MAY	92	1080.9	1153.5	0
JUNE	98	1205.8	1331.3	0
JULY	94	1376.0	1518.7	0
AUGUST	96	1229.7	1322.2	0
SEPTEMBER	98	1461.9	1491.9	0
OCTOBER	N/A	N/A	N/A	N/A
NOVEMBER	N/A	N/A	N/A	N/A
DECEMBER	N/A	N/A	N/A	N/A
<b>TOTALS →</b>		8614.6	9318.9	0

What is the level of arsenic for each well on your system?  $\frac{55-511771=.0022}{55-554078=.002}$  mg/l  
(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? N/A GPM for N/A hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?  
(✓) Yes ( ) No

Is the Water Utility located in an ADWR Active Management Area (AMA)?  
(✓) Yes ( ) No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?  
( ) Yes (✓) No

If yes, provide the GPCPD amount: \_\_\_\_\_

***Note: If you are filing for more than one system, please provide separate data sheets for each system.***

EASEMENT AND AGREEMENT FOR NINETY NINE YEARS  
BETWEEN THE PAUL D. AND RAE LEVIE TRUST dated. 11-20-73,  
GRANITE MOUNTAIN WATER COMPANY, an Arizona Corporation,  
and DANIEL PAUL LEVIE, a single man.

This Agreement entered into this 28 day of Dec, 2001 between Paul D. Levie, trustee of the Paul D. and Rae Levie Trust, dated 11-20-1973, hereinafter P.D. Levie, Granite Mountain Water Company, an Arizona Corporation, operating under and pursuant to the rules and regulations of the Arizona Corporation Commission, hereinafter Granite, and Daniel Paul Levie, a single man, dealing with his sole and separate property, hereinafter D.P. Levie,

Whereas, D.P. Levie is the owner of the parcels of land described in Exhibits A, and B, hereto attached, and

Whereas, P.D. Levie is the owner of all the stock in Granite and was the owner of the two well sites and wells now owned by Granite which were and are located and drilled on the subordinate premises and the sites of the wells and water company facilities were located and established by agreement between the parties, and

Whereas, water facilities, water mains, and water lines have been located on, over and across the subject property and have been in use by Granite pursuant to the said agreement since 1995.

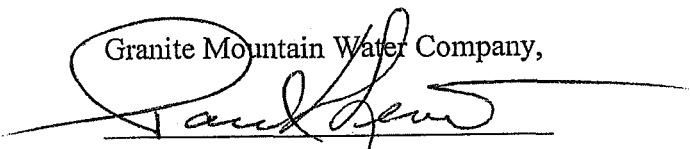
IT IS THEREFORE AGREED:

1. That for and in consideration of \$10. 00 and other consideration hereinafter set forth DANIEL PAUL LEVIE, as Grantor, does hereby grant and convey unto GRANITE MOUNTAIN WATER COMPANY, 2 permanent well sites, 20 feet by 20 feet, together with easements for the two existing wells, well sites, well houses, main lines, water lines, pumps and other facilities as they exist, in, on and over parcels "A" and "B" as of the date hereof and as are shown or may be shown on the plans of Granite Mountain Water Company.

2. That in consideration for the use of the well sites and easements granted above, D.P. Levie shall have free use of water for domestic purposes, gardens, shrubs and other incidental uses without further charges or expense on the property described in Exhibit "A". The Stables Property described in Exhibit "B", shall be charged for water used thereon at the rate of \$2.00 per thousand gallons. As further consideration the existing accumulated charges for the Exhibit "A" property shall be canceled in consideration of the past use of the sites and facilities. The other rental properties shall pay the metered rates for water usage.

Dated this 28 day of Dec, 2001.

Granite Mountain Water Company,



Daniel Paul Levie, a single man



Page 2.

Paul D. Levie, Trustee of the Paul D. and  
Rae Levie Trust, dated 11-20-73.

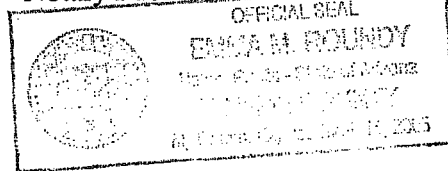
State of Arizona )

County of Yavapai )

This instrument was acknowledged and executed before me this 28 day of Dec, 2001, by  
Paul D. Levie, president of Granite Mountain Water Company and as Trustee. .

My Commission Expires: Sept 14, 2005

Emma M. Roundy  
Notary Public



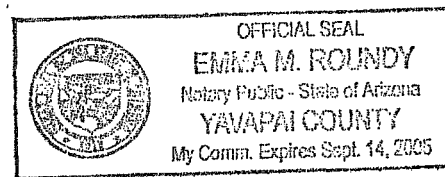
State of Arizona )

County of Yavapai )

This instrument was acknowledged and executed before me this 28 day of Dec, 2001, by  
Daniel Paul Levie.

My commission Expires: Sept 14, 2005

Emma M. Roundy  
Notary Public



**EXHIBIT "A"**

No. 283-109-316362

All that portion of Section 30, Township 15 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

Beginning at the Southwest corner of Lot 59, EQUESTRIAN ESTATES, as recorded in Book 13 of Maps, page 97, Yavapai County Records Office.

Thence North 31 degrees 45 minutes West, 590.75 feet;

Thence South 71 degrees 35 minutes 16 seconds West, 423.87 feet;

Thence South 15 degrees 52 minutes 55 seconds West, 204.95 feet to the TRUE POINT OF BEGINNING;

Thence South 15 degrees 52 minutes 55 seconds West, 143.81 feet;

Thence South 10 degrees 27 minutes West, 174.25 feet to a point in the Northeasterly right of way line of Williamson Valley Road;

Thence Northwesterly, 448.99 feet along said right of way on a curve to the right having a radius of 11409.55 feet;

Thence North 24 degrees 08 minutes 30 seconds East, 93.27 feet;

Thence South 66 degrees 18 minutes 40 seconds East, 331.88 feet to the TRUE POINT OF BEGINNING.

All that portion of Section 30, Township 15 North, Range 2 West, Gila and Salt River Base and Meridian, Yavapai County, Arizona, described as follows:

Beginning at the southwest corner of Lot 59, Equestrian Estates, as recorded in Book 13 of Maps, page 97, Yavapai County Recorder's Office

Thence North 31 - 45' West, 590.75 feet to the TRUE POINT OF BEGINNING;

Thence South 71 - 35' 16" West, 303.06 feet;

Thence South 27 - 30' 43" East, 234.94 feet;

Thence South 70 - 54' 30" West, 112.88 feet;

Thence South 11 - 45' West, 177.06 feet:

Thence North 75 - 36' West, 184.54 feet;

Thence North 15 - 52' 55" East, 143.81 feet;

Thence North 66 - 18' 40" West, 331.88 feet;

Thence North 24 - 08' 30" East, 208.35 feet;

Thence North 61 - 06' 47" West, 151.71 feet;

Thence North 37 - 49' 11" East, 120.70 feet;

Thence South 84 - 02' 40" East, 29.84 feet;

Thence South 24 - 55' East, 177.45 feet;

Thence North 81 - 56' East, 197.87 feet;

Thence North 24 - 41' East, 173.32 feet;

Thence North 31 - 56' 06" West, 30.65 feet;

Thence North 71 - 22' East, 218.48 feet;

Thence South 31 - 45' East, 327.07 feet; TO THE TRUE POINT OF BEGINNING

**EXHIBIT "B"**



**ARIZONA CORPORATION COMMISSION ("ACC")  
STAFF'S FOURTH SET OF DATA REQUESTS TO  
GRANITE MOUNTAIN WATER COMPANY, INC.  
DOCKET NOS. W-02467A-09-0333 AND W-02467A-09-0334  
September 30, 2009**

